



Peterson
Allred
Jackson

**UTAH ASSOCIATION OF
CONSERVATION DISTRICTS**

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2006**

▪ Certified Public Accountants
Business Consultants

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INTRODUCTORY SECTION



● Utah Association of
Conservation Districts

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September 1, 2006

Utah State Auditor
211 State Capitol
Salt Lake City, UT 84114

Sir:

It is with great pleasure that the financial statements for the Utah Association of Conservation Districts (UACD) for the year ended June 30, 2006, is presented.

In addition to the fund financial information currently presented in UACD's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the UACD including all capital assets and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2006, in accordance with these requirements.

This report consists of management's representations concerning the finances of the UACD. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the UACD from loss, theft, or misuse and to allow for the auditing of sufficient reliable information for the preparation of the UACD's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the UACD's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

I wish to express my appreciation to all members of UACD who assisted and contributed to the preparation of this report.

Respectfully submitted,

Gordon L. Younker
Executive Vice President

FINANCIAL SECTION



Peterson
Allred
Jackson

■ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Utah Association of Conservation Districts
Logan, Utah

We have audited the accompanying financial statements of the governmental activities of the Utah Association of Conservation Districts (UACD) (a non-profit organization) as of and for the year ended June 30, 2006, which collectively comprise the organization's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the UACD as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 1, 2006, on our consideration of the UACD's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results for our audit.

The management's discussion and analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*," and is not a required part of the financial statements of the organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Peterson Alfred Jackson

September 1, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Utah Association of Conservation Districts (UACD), we offer readers of the UACD's financial statements this narrative overview and analysis of the financial activities of UACD for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- The total net assets of \$1,291,989 is made up of \$15,350 in restricted assets and \$1,276,639 in other net assets.
- The net assets increased \$103,735.

REPORTING UACD AS A WHOLE

This discussion and analysis is intended to serve as an introduction to UACD's basic financial statements. UACD's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of UACD's finances, in a manner similar to a private-sector business.

- The statements of net assets present information on all of UACD's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of UACD is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how UACD's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the UACD that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements along with the fund financial statements can be found on pages 11 & 12 of this report.

REPORTING UACD'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. UACD also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of UACD is a governmental fund.

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. The fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of UACD's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance UACD's programs.

As determined by generally accepted accounting principles, the general fund meets the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of UACD, assets exceed liabilities by \$1,291,989.

	<u>2006</u>	<u>2005</u>
Total assets	\$ <u>1,713,552</u>	\$ <u>1,408,886</u>
Total liabilities	<u>421,563</u>	<u>220,632</u>
Net assets:		
Restricted	15,350	29,018
Unrestricted	<u>1,276,639</u>	<u>1,159,236</u>
Total net assets	\$ <u>1,291,989</u>	\$ <u>1,188,254</u>
Total revenues	\$ 2,851,050	2,462,235
Total expenses	<u>2,747,315</u>	<u>2,430,433</u>
Change in net assets	103,735	31,802
Net assets, beginning of year	<u>1,188,254</u>	<u>1,156,452</u>
Net assets, end of year	\$ <u>1,291,989</u>	\$ <u>1,188,254</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The General fund is the chief operating fund of UACD. All activities are accounted for in this fund.

UACD increased the general fund net assets by \$103,735 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

UACD is not legally required to adopt a budget for the general fund and thus it is not presented as required supplementary information.

UTAH ASSOCIATION OF CONSERVATION DISTRICTS
Governmental Funds Balance Sheet/Statement of Net Assets
June 30, 2006
With Comparative amounts for 2005

	General Fund	Adjustments	Statement of Net Assets	Memorandum Total 2005
ASSETS				
Cash and equivalents	\$ 1,091,310	\$ -	\$ 1,091,310	\$ 1,055,694
Investments	111,648	-	111,648	104,426
Accounts receivable	495,244	-	495,244	219,748
Restricted cash	15,350	-	15,350	29,018
Total assets	<u>\$ 1,713,552</u>	<u>-</u>	<u>1,713,552</u>	<u>\$ 1,408,886</u>
LIABILITIES				
Accounts payable	\$ 191,234	-	191,234	\$ 63,988
Accrued expenses	73,624	-	73,624	18,292
Accrued vacation & compensated absences	101,736	-	101,736	101,338
Deferred revenue	54,969	-	54,969	37,014
Total liabilities	<u>421,563</u>	<u>-</u>	<u>421,563</u>	<u>220,632</u>
FUND BALANCE / NET ASSETS				
Fund balances:				
Restricted	15,350	15,350	-	-
Unreserved, designated	736,067	736,067	-	-
Unreserved	540,572	540,572	-	-
Total fund balance	<u>1,291,989</u>	<u>1,291,989</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,713,552</u>			
Net assets:				
Invested in capital assets, net of related debt		-	-	-
Restricted		15,350	15,350	29,018
Unrestricted		1,276,639	1,276,639	1,159,236
Total net assets		<u>\$ 1,291,989</u>	<u>\$ 1,291,989</u>	<u>\$ 1,188,254</u>

The accompanying notes are an integral part of these financial statements.

UTAH ASSOCIATION OF CONSERVATION DISTRICTS
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities
For the Year Ended June 30, 2006
With Comparative amounts for 2005

	General Fund	Adjustments	Statement of Activities	Memorandum Total 2005
Revenues:				
Operating contracts/grants	\$ 2,144,235	\$ -	\$ 2,144,235	\$ 1,910,000
Charges for services	633,012	-	633,012	491,357
Investment earnings	31,587	-	31,587	28,853
Miscellaneous	42,216	-	42,216	32,025
Total revenue	2,851,050	-	2,851,050	2,462,235
Expenditures/expenses				
Personnel/labor	1,775,056	-	1,775,056	1,593,306
Payments to cooperators	543,312	-	543,312	495,108
Other program expenses	143,225	-	143,225	141,789
Services	149,829	-	149,829	86,670
Supplies	91,595	-	91,595	73,127
Occupancy	44,298	-	44,298	40,433
Total general expenditures and expenses	2,747,315	-	2,747,315	2,430,433
Change in net assets	103,735	-	103,735	31,802
Fund balances/net assets:				
Beginning of the year	1,188,254	-	1,188,254	1,156,452
End of the year	\$ 1,291,989	\$ -	\$ 1,291,989	\$ 1,188,254

The accompanying notes are an integral part of these financial statements.

UTAH ASSOCIATION CONSERVATION DISTRICTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of UACD have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Nature of Activities

The Utah Association of Conservation Districts (UACD) is a non-profit corporation organized under the laws of the State of Utah. It is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

In March of 1937, the Utah State Legislature passed the Utah Soil Conservation District Act authorizing the establishment of soil conservation districts. There are currently 38 conservation districts within the State of Utah. In 1977, these districts received the specific charge of developing private and state range land. This responsibility was broadened and expanded in 1983 to include the development of irrigated land as well. For this purpose the State of Utah established an Agricultural Resource Development Loan (ARDL) program and gave the 38 conservation districts the authority to locally administer the program under the Utah State Soil Conservation Commission. To achieve greater efficiency in administering these programs, the 38 districts are grouped into 7 zones.

The UACD was incorporated in March of 1982 to facilitate the conservation and orderly development of Utah's land and water resources. The UACD provides technical, financial, educational and scientific services to Utah's Soil Conservation Districts.

Utah Soil Conservation District supervisors are charged with the responsibility of devising and implementing programs, measures and projects to prevent soil erosion and flood water and sediment damage and prevent non-point source pollution by entering into cooperative agreements with private or public groups to prepare conservation plans and make recommendations for implementing such plans. An important part of this program is to bring to the attention of land owners the availability of grant and loan funds and to develop sound, long range conservation programs.

The supervisors direct the development of plans, determine financing, and make the necessary application for loans from the ARDL program. The UACD handles the administrative details of helping individual land owners to participate in the ARDL program. A 4% administrative fee, paid by the land owner, is added to the loan amount and paid to the UACD to cover the local

administrative cost of supervising the loan program and furthering the conservation purposes of the UACD.

The UACD also administers and supervises various water quality projects sponsored by the Environmental Protection Agency (EPA). The EPA, through the Utah Department of Environmental Quality and the Utah Department of Agriculture and Food entered into an agreement with the UACD to supervise various water quality improvement projects throughout the State of Utah. These projects are commonly referenced to as Section 319 Non-Point Source Funded Projects.

The UACD is governed by a board of directors consisting of 14 members and the president and immediate past president. Each zone elects 2 directors who serve for a period of 2 years. Elections take place every year and the board terms are staggered so that every year seven new directors are elected to serve on the board.

The Articles of Incorporation provide for election of a president and vice-president and the appointment of a secretary/treasurer. An executive committee made up of the president, vice-president, secretary/treasurer, immediate past president and the executive vice-president may act in place of the board and reports such actions to the board. The executive vice-president, a non-voting member of the executive committee, is a salaried individual who conducts the day to day affairs of the UACD.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of UACD. UACD only has one governmental fund and thus no interfund or business-type activities are present.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. UACD applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fixed Assets

Capital acquisition less than \$5,000 made with contract funds are expensed at the time the expenditure is incurred and are not capitalized. As of June 30, 2006, all furniture and equipment has been purchased and charged to a contract. The fixed assets for which UACD has fiduciary responsibility consist mostly of office and computer equipment.

Investments

Investments are composed of mutual funds investing in debt and equity securities for trading purposes and are carried at fair value.

Accrued Vacation, Sick Leave and Compensated Absences

Employees earn leave days each year based on length of service for use as vacation and sick leave. Vacation time earned is recorded as an accrued benefit.

Contributed Facilities

Contributed facilities are recorded as a contribution at estimated fair market value of the use of the property.

Restricted Cash Contracts

UACD is currently maintaining agreements with the Utah Non-Point Source (NPS) Taskforce, Utah Envirothon, Utah Grazinglands Network and U.S. Fish and Wildlife Service. The agreements provide that, for an annual fee, the UACD will receive funds solicited and administer the funding as outlined in the respective agreements. Funds received which have not yet been spent are restricted in fund balance.

Note 2: Cash

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing

custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$184,600 of the local government's bank balances of \$1,136,851 were uninsured and uncollateralized

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 3: Investments

Investments as of June 30, 2006, are summarized as follows:

Unrestricted:	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Money market accounts	\$ 3,566	\$ 3,566	\$ 3,566
Equities	39,863	34,386	34,386
Mutual funds	<u>65,025</u>	<u>73,696</u>	<u>73,696</u>
TOTAL	<u>\$108,454</u>	<u>\$111,648</u>	<u>\$111,648</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2006:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 756	\$ --	\$ --	\$ 756
Unrealized gain	<u>6,866</u>	<u>--</u>	<u>--</u>	<u>6,866</u>
Total investment return	<u>\$ 7,622</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,622</u>

Note 4: Concentration of Credit Risk

At June 30, 2006, approximately 60% of the UACD receivables, which are considered fully collectible, are with the Utah State Department of Agriculture and Food.

Note 5: Fund Balance

Restricted fund balance represents amounts received from other entities for specific programs. UACD has agreed to administer the Utah Grazinglands Network and Utah NPS Taskforce Conference funds. In addition, UACD receives funds for the Utah Envirothon and the U.S. Fish and Wildlife Services for the expenses of these programs. The funds remaining for these purposes are as follows:

	<u>2006</u>
Utah NPS Taskforce Conferences	\$ 2,290
Utah Envirothon	7,092
Utah Grazinglands Network	4,865
Wildlife restoration	<u>1,103</u>
Total	<u>\$ 15,350</u>

In 2006 management designated a portion of the fund balance as carryover ARDL funds, which are to be used for future expenses for administrative support and conservation district capacity building consistent with a memorandum of understanding signed by the UACD and the Utah Department of Agriculture and Food. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

Note 6: Defined Contribution Plan

The UACD sponsors a defined contribution pension plan that covers all full time employees who have one year of eligible service. Contributions to the plan are based on a percentage of annual compensation and are made at the discretion of the employer. Contributions to the plan are 100% vested after three years of service. For the year ended June 30, 2006, the UACD elected to make contributions of 15%, resulting in contributions of \$110,272, which are included in the financial statements as employee benefits.

Note 7: Related Party Transactions

The UACD provides payroll processing services to ten soil conservation districts, and the Castlelands RC&D. The soil conservation districts and RC&D reimburse the UACD for actual payroll costs plus a small fee. The UACD receives annual dues from all soil conservation districts in the State of Utah.

Note 8: Risk Management

The UACD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The UACD participates in the Utah Local Government Trust, a public entity risk pool to manage its risk of loss. The UACD pays an annual premium to the Trust for its general liability and errors and omissions insurance coverage. There have been no claims or losses in excess of insurance coverage for the past three years.

Note 9: Indirect Cost Rate

The UACD uses an indirect cost rate to allocate general costs that benefit more than one program and are not readily identifiable with a specific program. Labor is used as the basis for allocating indirect costs to programs. Labor is the cost for personnel. Generally this is the total for wages and benefits paid employees or contractual agreements for labor, when such contracts replace the personnel usually provided by UACD employees.

For fiscal year 2006, the indirect cost rate was 25% compared to 25% estimated in the UACD operation budget. Total administrative costs for fiscal year 2005-2006 was \$296,572, which approximates 10.8% of total expenses.

Note 10: Fair Values of Financial Instruments

The following methods and assumptions were used by UACD in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, short-term unconditional promises to give: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Short-term investments: The fair values of investments are based on quoted market prices for those or similar investments.

Note 11: Memorandum Totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to consolidation.

UTAH ASSOCIATION OF CONSERVATION DISTRICTS
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Contract Number</u>	<u>Contract Amount</u>	<u>Project Expenses</u>
U.S. Department of Agriculture				
Passed through the Natural Resources Conservation Service:				
Soil Survey Program	10.903	68-8D43-5-54	\$ 35,093	\$ 35,093
Environmental Quality Incentive Program	10.912	68-8D43-5-23	229,703	216,648
Passed through the Utah Department of Agriculture:				
Utah Animal Feeding Operations	10.902	05-0493	81,000	17,322
Utah Animal Feeding Operations	10.902	06-1066	76,846	28,805
Conservation Technical Assistance	10.902	06-1239	30,000	<u>22,087</u>
Total U.S. Department of Agriculture				<u>319,955</u>
U.S. Department of Interior				
Passed through the U.S. Fish and Wildlife Service:				
Wildlife Restoration	15.617	1448-60181-02-J332	53,500	6,113
Passed through the Bureau of Reclamation:				
Water Conservation Field Services Program	* 15.BCD	06-FG-40-2465	25,000	20,858
Water Conservation Field Services Program	* 15.BCD	01-FG-40-5250	150,000	6,545
Water Conservation Field Services Program	* 15.BCD	04-FG-40-2210	24,750	<u>17,525</u>
Total U.S. Department of Interior				<u>51,041</u>

The accompanying notes are an integral part of these financial statements.

U.S. Environmental Protection Agency

Passed through the Utah Department
of Agriculture and Food:

Nonpoint Source Implementation Grants	66.460	Various	5,452,870	565,823
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Passed through the Utah Department
of Environmental Quality:

Nonpoint Source Implementation Grants	66.460	04-6136	129,500	<u>53,512</u>
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Total U.S. Environmental Protection Agency				<u>619,335</u>
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Total Expenditures of Federal Awards				<u>\$ 990,331</u>
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* Bureau of Reclamation advised that this is a pseudo-number, not a CFDA number and that the CFDA number was not available.

UTAH ASSOCIATION OF CONSERVATION DISTRICTS
Notes to Schedule of Federal Awards
Year Ended June 30, 2006

Note 1: Purpose of the Schedule

The Schedule of Federal Expenditures of Federal Awards is a supplementary schedule to the basic financial statements. The Schedule is required by the U.S. *Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2: Significant Account Policies

Basis of Accounting

The information in the schedule is presented in accordance with OMB Circular A-133. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

CFDA Numbers

OMB Circular A-133 requires the Schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

Major Programs

OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining major federal financial assistance.

Indirect Costs

The Schedule includes a portion of costs associated with general activities which are allocated to federal financial assistance programs using direct labor as a basis of allocation.

Matching Costs

The Schedule does not include matching expenditures, however matching amounts were reviewed as part of the audit procedures.

UTAH ASSOCIATION OF CONSERVATION DISTRICTS

OMB CIRCULAR A-133 REPORTS

June 30, 2006



Peterson
Alfred
Jackson

* Certified Public Accountants
Business Consultants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Utah Association of Conservation Districts
Logan, UT

We have audited the accompanying financial statements of the governmental activities of the Utah Association of Conservation Districts (UACD) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered UACD's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether UACD's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of UACD in a separate letter dated September 1, 2006.

This report is intended for the information and use of management, others within the organization, the Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alfred Jackson

September 1, 2006



Peterson
Alfred
Jackson

* Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Utah Association of Conservation Districts
Logan, UT

Compliance

We have audited the compliance of the Utah Association of Conservation Districts (UACD) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. UACD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of UACD's management. Our responsibility is to express an opinion on UACD's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UACD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of UACD's compliance with those requirements.

In our opinion, UACD complies, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of UACD is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered UACD's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, others within the organization, Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alured Jackson

September 1, 2006

UTAH ASSOCIATION OF CONSERVATION DISTRICTS
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

A. Summary of Audit Findings

1.	Type of Report issued	Unqualified
2.	Reportable Conditions in Internal Control	None reported
3.	Material Non-Compliance Discovered	None reported
4.	Reportable Conditions in Internal Control Over Major Programs	None reported
5.	Compliance Report Issued	Unqualified
6.	Reportable Findings under A-133	None reported
7.	Federal Programs Tested as Major Programs	Nonpoint source Implementation Grants CFDA #66.460
8.	Dollar threshold use to distinguish between Type A and Type B programs	\$300,000
9.	Audited qualification as High or Low risk	Low

B. Findings required to be reported in accordance with Government Auditing Standards.

None reported

C. Findings and questioned costs required to be reported in accordance with OMB Circular A-133.

None reported

UTAH ASSOCIATION OF CONSERVATION DISTRICTS
Summary Schedule of Prior Audit Findings
(Client Prepared Schedule)
June 30, 2006

There were no findings or questioned costs in the prior year audit.

UTAH ASSOCIATION OF CONSERVATION DISTRICTS
STATE COMPLIANCE REPORT

June 30, 2006



Peterson
Alfred
Jackson

* Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LEGAL REQUIREMENTS

September 1, 2006

Board of Directors
Utah Association of Conservation Districts
Logan, UT

We have audited the financial statements of the Utah Association of Conservation Districts, (UACD) (a non-profit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 1, 2006. As part of our audit, we have audited the UACD's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The UACD received the following major state assistance from the State of Utah:

Agriculture Resource Development Loan and Soil Conservation District Support

UACD did not receive any nonmajor state grants during the year ended June 30, 2006.

The management of UACD is responsible for the UACD's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the UACD's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, UACD complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2006.

Peterson Alfred Jackson

September 1, 2006



Peterson
Alfred
Jackson

* Certified Public Accountants
Business Consultants

September 1, 2006

To the Board of Directors
Utah Association of Conservation Districts
Logan, UT 84321

In planning and performing our audits of the financial statements of the Utah Association of Conservation Districts (UACD) (a non-profit corporation) as of June 30, 2006, we developed the following recommendations concerning certain matters related to the internal control structure and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audits of the UACD's financial statements for the year ended June 30, 2006, and are not based on special study. Our comments and principal recommendations are summarized as follows:

PRIOR YEAR FINDING

Finding: *Bank reconciliations.* During the audit, we noted that UACD had many old outstanding checks and deposits listed on the bank reconciliation.

Recommendation: Review all old outstanding checks and deposits for proper booking and reconciliation purposes. Make adjustments as necessary.

Management response: As recommended, outstanding checks and deposits will be reviewed during the reconciliation process and appropriate corrections will be made.

Status: Many old outstanding deposits and checks are still showing on the bank reconciliation and should be cleared. This is an area that further training is suggested.

CURRENT YEAR FINDINGS

Finding: *Recordkeeping.* While testing the year-end cash balance, we noted that the reconciled bank balance did not match the g/l balance. This was due to the fact that after the bank statement had been reconciled, transaction dates on cash received and spent were changed from the 2006-2007 fiscal year to the 2005-2006 fiscal year.

Recommendation: Checks and deposits must only be dated the day they are processed. Adjustments done to cash should have been recorded to receivables or payables.

Management response: As recommended, checks and deposits are to be dated on the day processed. Accounts receivable should be used to record all deposits received after June 30 that are revenues for the proceeding fiscal year.

In conclusion, we wish to recognize Gordon Younker and Susan Stillion for their excellent service provided to the Utah Association of Conservation Districts. The performance of the Utah Association of Conservation Districts annual fiscal year audit has been an enjoyable experience for us and we would like to thank UACD for the opportunity to serve as independent auditors.

Very truly yours,

Peterson Allred Jackson

PETERSON ALLRED JACKSON